

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CEA-01 CIAE-00 DODE-00 FRB-03

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FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC 2026

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY SOFIA

AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: EGEN, EALR, CZ

SUBJECT: ECONOMIC RESULTS FOR 1976: CSSR LIMPS ALONG

VIENNA FOR AGATT

REFS: A. PRAGUE 3643(NOTAL), B. PRAGUE 3421(NOTAL),

C. 76 PRAGUE 0529(NOTAL) D. 76 PRAGUE 0377(NOTAL)

1. SUMMARY: GOC PUBLISHES ECONOMIC RESULTS FOR 1976, FIRST YEAR
OF SIXTH FYP. KEY STATISTICS CITED. COMMENT:

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CSSR'S ECONOMIC MALAISE CONTINUES. MAJOR INDICES REGISTERED LOWER
GROWTH RATES THAN IN 1975. FAMILIAR PROBLEMS PERSIST.

MAJOR ECONOMIC DISASTER AVERTED, BUT NO SIGNIFICANT PROGRESS
WAS MADE IN RESOLVING FUNDAMENTAL ECONOMIC PROBLEMS. END
SUMMARY.

2. FOLLOWING KEY STATISTICS HAVE BEEN PUBLISHED RECENTLY BY

GOC FOR 1976, FIRST YEAR OF SIXTH FIVE YEAR PLAN (REF C):

A) NATIONAL INCOME ROSE BY FOUR PERCENT OVER 1975. SINCE FYP CALLS FOR 27-29 PERCENT INCREASE DURING 1976-80, THIS IS WELL BELOW 4.9-6.2 PERCENT ANNUAL RANGE REQUIRED TO MEET THIS TARGET. GOC DID NOT SAY WHETHER FOUR PERCENT GROWTH WAS BELOW ANNUAL GOAL FOR 1976, BUT THIS SEEMS OBVIOUS SINCE FYP DIRECTIVES DO NOT CALL FOR DRAMATIC SPURT IN LATER YEARS. AVERAGE INDUSTRIAL WAGE INCREASED 3.2 PERCENT TO 2,447 CROWNS PER MONTH. RETAIL TRADE TURNOVER ROSE 3.7 PERCENT, MONETARY EXPENDITURES BY CONSUMERS GREW FOUR PERCENT, AND SAVINGS ACCOUNTS INCREASED BY AN UNSPECIFIED AMOUNT.

B) INDUSTRIAL PRODUCTION INCREASED BY 5.5 PERCENT, REPORTEDLY 0.1 PERCENT MORE THAN PLANNED. FYP TARGET OF 32-34 PERCENT GROWTH BY 1980 HOWEVER, WOULD REQUIRE AVERAGE ANNUAL INCREASE OF 5.7 TO 6.0 PERCENT. GOC CLAIMS OUTPUT ROSE IN ALL BRANCHES OF INDUSTRY. HIGHEST INCREASES WERE IN ENGINEERING(8.9 PERCENT), CHEMICALS (8.6), GLASS, PORCELAIN AND CERAMICS BMUMYLN AND WOOD-PROCESSING AND BUILDING MATERIALS (7.4). REPORTS STATE THAT THE ONLY MAJOR INDUSTRIAL SECTORS FAILING TO REACH PLANNED GOALS WERE FOOD

AND BUILDING MATERIALS. CRUDE STEEL PRODUCTION, HOWEVER, INCREASED BY ONLY 2.6 PERCENT. OUTPUT OF COAL AND LIGNITE REACHED 117.7 MILLION TONS, 2.9 PERCENT MORE THAN 1975. ELECTRICITY GENERATED TOTALLED 62,688 MILLION KILOWATT HOURS, 5.8 PERCENT ABOVE 1975 BUT EVIDENTLY BELOW PLAN (1980 TARGET IS 77-79 MILLION KWH). REPORTS CITE PROBLEMS OF ELECTRICITY SUPPLY CAUSED LARGELY BY "HIGH RATE OF TECHNOLOGY BREAKDOWNS" BUT CLAIM THAT "PUBLIC LIMITED OFFICIAL USE

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CONSUMPTION WAS NOT AFFECTED".

C) INVESTMENT WORKS AND SUPPLIES ROSE BY 5.2 PERCENT. HOWEVER, GOC ADMITS THAT PLANNED RATE WAS NOT ACHIEVED(FIVE YEAR TARGET IS 32 PERCENT), ADDING THAT SOME KEY PROJECTS "IN PARTICULAR IN CHEMISTRY" WERE NOT COMPLETED AS PLANNED. REPORTS ALSO MENTION "NEW PLANT BREAKDOWNS".

D) AGRICULTURAL PRODUCTION WAS 2.7 PERCENT BELOW 1975 LEVEL DUE MOSTLY TO VERY UNFAVORABLE WEATHER CONDITIONS. GROSS FARM OUTPUT WAS 8 PERCENT BELOW TARGET, WITH VEGETABLE, GRAIN AND LIVESTOCK PRODUCTION BEING NOTABLY DISAPPOINTING. (AGATT IN VIENNA WILL REPORT FURTHER BY SEPTTEL ON 1976 AGRICULTURAL RESULTS).

E) TOTAL FOREIGN TRADE TURNOVER WAS 11.1 PERCENT HIGHER THAN IN 1975. TOTAL EXPORTS ROSE 11.8 PERCENT (16.0 PERCENT TO CEMA COUNTRIES), AND IMPORTS GREW 10.4 PERCENT (10.5 PERCENT TO CEMA). ALL THESE FIGURES ARE WELL BELOW INCREASES REGISTERED IN 1975.

EXPORTS IN 1976 TO ALL CEMA PARTNERS EVIDENTALLY EXCEEDED IMPORTS, BUT TRADE DEFICIT WITH CAPITALIST COUNTRIES APPARENTLY WORSENERED. (EMBASSY HAS PRESSED MINISTRY OF FOREIGN TRADE FOR MORE DETAILED TRADE DATA, PARTICULARLY ON U.S. EXPORTS AND IMPORTS. MFT "HOPES" TO PROVIDE SOMETHING BY EARLY MARCH. MEANWHILE, WE HAVE ONLY ROUGH ESTIMATE OF \$200 MILLION IN IMPORTS FROM U.S. FOR 1976 CITED BY MINISTRY OF FOREIGN AFFAIRS OFFICIALS IN DECEMBER (REF A) AND ATTRIBUTABLE PRINCIPALLY TO LARGE GRAIN IMPORTS.)

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INFO AMEMBASSY BELGRADE

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F) LABOR PRODUCTIVITY (GROSS OUTPUT PER WORKER) REPORTEDLY WAS 4.9 PERCENT HIGHER THAN IN 1975 AND 0.4 PERCENT ABOVE THE 1976 TARGET. RISE IN LABOR PRODUCTIVITY ACCOUNTED FOR 90 PERCENT OF INCREASE IN INDUSTRIAL OUTPUT, 6 PERCENT MORE THAN PLANNED.

G) TRANSPORT OF PUBLIC FREIGHT INCREASED 3.4 PERCENT, BUT THE PLAN WAS ONLY 99.5 PERCENT FULFILLED. RAILWAYS, WHICH

HAVE ATTRACTED HIGH LEVEL CRITICISM, APPARENTLY IMPROVED THEIR PERFORMANCE IN THE LATTER PART OF 1976 AND HAULED 1.7 PERCENT MORE DURNG ENTIRE YEAR THAN IN 1975.

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H) CONSTRUCTION INDUSTRY REPORTEDLY EXCEEDED PLAN BY 0.9 PERCENT, THE VALUE OF WORK RISING 7.6 PERCENT OVER 1975 TOTAL. HOWEVER, REPAIRS EXCEEDED PLANNED VOLUME WHILE INVESTMENT CONSTRUCTION TARGETS (INCLUDING HOUSING) WERE NOT MET.

3. COMMENT: YEAR-END FIGURES, WHICH AS ALWAYS ARE INTENDED TO CONCEAL AS WELL AS TO REVEAL, CONFIRM THAT CSSR'S ECONOMIC MALAISE CONTINUES. MAJOR INDICES (INCLUDING NATIONAL INCOME, CAPITAL INVESTMENT, OVERALL INDUSTRIAL PRODUCTION, AGRICULTURAL OUTPUT AND FOREIGN TRADE) ALL REGISTERED LOWER GROWTH RATES IN 1976 THAN 1975 (REF D), A RESULT NOT WHOLLY EXPLAINED BY WELL-KNOWN FACT THAT LAST YEAR OF FYP TENDS TO GENERATE MORE FURIOUS ECONOMIC ACTIVITY THAN FIRST YEAR OF A NEW PLAN. FAMILIAR PROBLEMS OF HARD-CURRENCY TRADE DEFICIT, ELECTRICITY OUTPUT (INTERRUPTIONS AND INADEQUATE CAPACITY), TRANSPORTATION BOTTLENECKS AND NON-COMPLETION OF CONSTRUCTION PROJECTS PERSIST, AS WELL AS OTHER DIFFICULTIES IGNORED IN GOC REPORTS. ALTHOUGH GOC CLAIMS THAT "BASIC TASKS WERE FULFILLED", 1976 WAS NO BANNER YEAR. REGIME MANAGED TO SCRAPE THROUGH WITHOUT MAJOR ECONOMIC DISASTER BUT EVIDENTLY MADE NO SIGNIFICANT PROGRESS IN RESOLVING ITS FUNDAMENTAL ECONOMIC PROBLEMS OF POOR MANAGEMENT, LACK OF WORKER INCENTIVE, LOW LABOR PRODUCTIVITY AND OBSOLETE INDUSTRIAL INFRASTRUCTURE. SUMMING UP, 1976 SAW THE CSSR, ONE OF THE MOST INDUSTRIALLY DEVELOPED STATES IN CEMA, LIMP ALONG WITHOUT MAJOR FAILURE OR ACCOMPLISHMENTS TO REGISTER ONE OF THE LEAST IMPRESSIVE GROWTH RATES IN EASTERN EUROPE.
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